

***Ex Parte* Presentation of  
Ad Hoc Telecommunications Users Committee**

- The record supports use of “assigned” telephone numbers as the best metric for USF assessments.
  - Over time, the USF cannot be sustained through assessments on interstate and international telecommunications revenues.
  - Bundling of telecommunications services and bundling of telecommunications services with non-telecommunications services will increase.
  - There is no rational method for “pulling apart” bundles.
  - A statutory change authorizing the Commission to assess all telecommunications revenues may or may not happen. Even if such legislation were enacted, the Commission should not count on gaining authority to assess non-telecommunications revenues.
  - If all “assigned” telephone numbers were assessed at the same rate, the monthly charge would be approximately \$1.00.
- There is no defensible basis for discriminating against multi-line business (MLB) users.
  - A USF assessment methodology that imposes higher charges on MLB customers based on affordability concerns is not justified. See Attachment A.
- Special access and private lines should be subject to assessments that are the product of multiplying the single line assessment rate by the “equivalencies” for different capacity special access connections and private lines. USF assessments should not distort purchasing decisions and should not result in special access and private line subscribers bearing an excessive portion of the multi-line subscriber USF burden.
- A numbers-based assessment methodology can be implemented with a minimum of administrative adjustments. Implementation of an equitable, economically efficient and sustainable USF assessment methodology more than justifies minimal administrative changes. See Attachment B.
- The Commission should focus less on industry sector burden arguments; the Commission’s focus should be on prescription of an economically and legally sound methodology that will be sustainable and that will advance consumer welfare.

## Attachment A

### **Residential Customers will not be harmed by imposition a numbers based assessment plan with a charge in the range of \$1.00**

- *First* -- the numbers-based approach advocated by Ad Hoc exempts Lifeline and Link-Up subscribers from making any contributions to the universal service fund based on their landline phones. Low-income subscribers are protected.
- *Second* – average, single line residential subscriber would pay less in USF charges at \$1.00 per month per line than they pay today.
- *Third* – local telephony has been making up an increasingly smaller percentage of annual household income. It presently accounts for less than 0.65%, down from 0.85% in 1986. A residential per line charge of more than \$7.00 would be required for local telephony to comprise the same proportion of annual household income as in 1986.<sup>1</sup>
- *Fourth* - recent increases in the residential SLC have not caused an increase in the number of households without phone service, the trend has been in the opposite direction.
- *Fifth* – studies reveal that affordability of basic local service is not the primary reason why residential households without local phone service do not subscribe to local phone service.<sup>2</sup>
- *Finally* – studies of elasticity for local phone service demonstrate that an *increase* in local service prices of \$1.00 per month would likely result in a decrease of less than two-tenths of a percentage in local service penetration rates.<sup>3</sup> At most, the numbers-

---

<sup>1</sup> See Comments of the Ad Hoc Committee in this proceeding dated April 12, 2003.

<sup>2</sup> Studies in Texas and NJ reveal unpaid long distance charges and high installation/reactivation fees are frequently cited. See: Jerry Hausman and Howard Shelanski, *Economic Welfare and Telecommunications Regulation: The E-Rate Policy for Telecommunications Subsidies*, 16 Yale J. on Reg. 19 at \*49 n. 103 (citing *Policy Research Project on the Evolution of Universal Telecomms. Serv. in Tex., The Evolution of Universal Service in Texas* 16-17 (Lyndon B. Johnson Sch. of Pub. Affairs Policy Research Project Report No. 116)), and Hausman and Shelanski, at 49 n. 103 (citing Milton Mueller & Jorge Reina Schement, *Universal Service From the Bottom Up: A Study of Telephone Penetration in Camden, New Jersey*, 12 Info. Soc'y 273, 274 (1996)).

<sup>3</sup> See Comments of the Ad Hoc Committee in this proceeding dated April 12, 2003. Elasticity estimates for local phone service come from Jerry Hausman and Howard Shelanski, *Economic Welfare and Telecommunications Regulation: The E-Rate Policy for Telecommunications*

based assessment methodology would result in an increase of \$0.50 for some subscribers (the increase would be smaller for others, and many others would experience a reduction) – meaning that worst-case impact upon subscribership would be a reduction of less than one-tenth of one percent.

---

*Subsidies*, 16 Yale J. on Reg. 19, \*38 n.85 (1999) (citing Jerry Hausman, *et al.*, *The Effects of the Breakup of AT&T on Telephone Penetration in the United States*, 83 Am. Econ. Rev. 178 (1993)).

## Attachment B

**The implementation problems identified by NANC are not insurmountable. Adjustments to the reporting system would likely result in relatively minimal transaction costs.**

- *First* - most of the major issues presented by NANC revolve around specifics of the current survey tool, the Number Resource Utilization Forecast (NRUF). Moderate modifications to the NRUF forms and reporting frequency would solve the bulk of issues raised. In any event, the USF worksheet should be primary data collection device for calculating USF assessments.
- The NRUF data is collected only twice a year – a more frequent reporting schedule would improve the accuracy of the data.
- Some carriers do not file their NRUF form. Structuring the payment system with an “assumption” that all numbers given to carriers that do not file their NRUF forms are “assigned” can solve this problem. Those carriers with less than 100% number utilization will have a significant incentive to file their utilization forms.
- NANC opines that the NRUF “assigned” number category over counts numbers because it includes DID, Centrex and seasonal numbers. This concern seems to be based upon an assumption that numbers and “connections” should somehow be equal. This is a misunderstanding of the proposal. DID numbers would be assessed, Centrex numbers would be assessed, seasonal numbers would be assessed – this is how the plan is supposed to work!
- NANC expresses concern with the ability to follow “ported” numbers. Several possible approaches to solving the problem are identified in the NANC report that should work.
- Numbers used by “resellers” are “assigned” to the underlying ILEC. The NRUF may need to institute a separate count of “reseller” numbers
- *Second* – NANC provides examples of service provider categories that would not “contribute” to USF because they do not use numbers (private line only providers, pre-paid card providers). The problem and available solutions are common between the numbers-based and connections-based plans. A variety of potential solutions exist, including application of a revenue-based charge to those service providers only.